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ABSTRACT

The booklet addresses the controversy among the states regarding the programmatic requirements and fiscal implications of P.L. 94-142, the Education for All Handicapped Children Act. Examined is the development of state and federal support for special education. Using four states (Connecticut, Florida, Missouri, Oregon), the authors present an in-depth analysis of the distribution of students served and special education funds in the states and the likely impact of P.L. 94-142. A survey of 39 state directors that solicited their attitudes toward the compatibility of P.L. 94-142 and state special education programs is presented. Among findings is that categorical funding is the most popular, four out of five states believe that P.L. 94-142 will create other fiscal problems, and most states have similar classification systems for special education students. It is concluded that one of the benefits of P.L. 94-142 is likely to be increased coordination among agencies providing education services at the state and local levels. (SBH)

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Special Education Finance:

The Interaction Between State and Federal Support Systems

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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Executive Summary

The federal government recently passed legislation, P.L. 94-142, to assure that students in need of special education receive appropriate attention. The implementation of that law has proven controversial among the states both in terms of its programmatic requirements and its fiscal implications. This booklet addresses the latter concern. It examines the development of state and federal support for special education. Using four states, it also presents an in-depth analysis of the distribution of students served and special education funds in the states and the likely impacts of P.L. 94-142. A survey of state directors of special education that solicited their attitudes toward the compatibility of P.L. 94-142 and state special education programs is presented.

What is found in the analysis is that there are wide variations in the number of students served by special education programs and in the support of such students among states. Within states, school districts with certain characteristics tend to serve disproportionately large numbers of special education students. Urban districts and large districts tend to serve more special education students than rural or small districts. The number of students currently served and the support provided to them is not related to district wealth, measured either in terms of income or property wealth. However, the implementation of P.L. 94-142 is likely to place a burden on low wealth school districts since a large proportion of the students currently not served by states may be located in such districts.

During the past year, the states have begun to respond to P.L. 94-142. The survey of the states indicates that fiscal problems are likely to occur as they implement the law. Many state special education support systems are not compatible with P.L. 94-142 and the fiscal pressures on states to provide new levels of support will be large. However, one of the benefits of P.L. 94-142 will be increased coordination among agencies providing special education services.

Introduction

The Education for All Handicapped Children Act of 1975 (P.L. 94-142) is a monumental piece of legislation. It holds the promise of a free appropriate public education for all handicapped children, which has been the dream of many people from Ann Sullivan to Eleanor Roosevelt. Eventually, it will probably involve every school in the country, and it is potentially the most expensive piece of education legislation ever to be initiated by the federal government.

While the federal government has been busy developing policy and legislation for handicapped children, the states have not been standing still. The states initiated and continue to provide major programs of educational services for handicapped children. In 1975 the states were serving 59 percent of their handicapped students in some manner. At that time, such services were funded almost exclusively from state and local revenue.

The recent simultaneous growth of state and federal special education programs, culminating in P.L. 94-142, raises a number of critical financial and programmatic questions. State policy makers are particularly interested in the compatibility of state and federal legislation. In terms of funding, the states now use a variety of formulas to fund special education. Some take district wealth into account in distributing state support for special education, while others do not. P.L. 94-142 aid is distributed on a per pupil basis and does not consider disparities in local fiscal capacity.

A major issue to be investigated in this study is the nature of the flows of state and federal aid for special education. Aid in four states — Connecticut, Florida, Missouri and Oregon — is examined to determine how specific characteristics of districts are related to the amount of special education aid received under state and federal programs. This analysis reveals both the degree to which the different aid systems promote fiscal equity and whether the interaction between state and federal funds results in a duplication of aid flows. In addition, a questionnaire was sent to all state directors of special education. Their attitudes about the compatibility of aid flows are analyzed.

Another question about the compatibility of state special education aid and P.L. 94-142 concerns classification procedures. At the present time the states perceive that a large gap exists between the different state classification procedures and federal requirements. P.L.

94-142 places limits in specific categories on the numbers of special education children that are eligible for aid reimbursement. In some states, however — Massachusetts and South Dakota, for example — students are classified by service delivery modes and not by handicapping conditions. The questionnaire sent to the 50 state directors of special education included questions about problems with these different classification procedures.

An additional concern of this study is the coordination of special education services at the state and local levels. The questionnaire was also directed at this issue. Federal regulations could foster cooperation by encouraging districts to help each other in seeking aid, but there is no requirement for coordination of services.

Prior to the discussion of findings from the four-state study and the questionnaire, some background information is provided. Chapter I discusses the development of programs for special education at the state level. In Chapter II the programs of the four states selected for in-depth analysis are presented in detail. Chapter III addresses the history of federal funding for special education, culminating in P.L. 94-142. Chapter IV analyzes previous research on the financing of special education as a prelude to presenting the findings from this study included in Chapters V through VII.

I. Special Education Development in the States

The Massachusetts School for the Blind was established in 1829 and began receiving appropriations from the state in 1830. The New York Institution for the Blind opened in 1832. Many states soon followed the lead of Massachusetts and New York and established their own schools for the blind (Frampton and Powell, 1932, pp. 30-31).

The pattern in the establishment of schools for the deaf and retarded was much the same as for the blind. In 1817, Thomas Gallaudet opened the first public school for the deaf in Hartford, Connecticut. One year later, this school received a federal endowment. This must have been the earliest federal venture into the education of the handicapped.

In 1837, Samuel Howe established a class for the mentally retarded in the Blind Asylum in south Boston. This led in 1848 to the establishment of the Massachusetts School for the Feebleminded, which became a state-supported institution in 1850. Other states established their schools for the retarded: Pennsylvania in 1852, Ohio in 1857, Connecticut in 1858 and Illinois in 1868 (Frampton and Powell, 1938, pp. 178-185).

Special classes for the handicapped within the public school system began to appear toward the end of the 19th century. The U.S. Bureau of Education conducted a survey in the early 1920s and found that there were 133 public school programs in operation that served the mentally retarded (Weintraub, 1971, p. 351). Legislation requiring local school districts to serve certain types of handicapped children and to provide them with services appeared in 1911 in New Jersey, in 1915 in Minnesota and in 1917 in New York. The states also agreed to provide funds for such classes.

The number of school districts providing special education was small and the number of children served was limited largely to major cities until the close of World War II. After the war, programs grew rapidly. In 1948 the U.S. Office of Education (USOE) found that 12 percent of all handicapped children were receiving special education services. By 1971, 40 percent of all handicapped students were being served nationally (Hensley, 1973, p. 3).

Part of the reason for the slow growth of special education prior to World War II was the unsympathetic attitude of the courts. It was felt by many that placing handicapped children in the public schools would place an "intolerable burden" on those schools (Wilken and Porter, 1971, p. 1). In this area, as with racial segregation, the legal view of the rights of the child changed over time. The change is apparent when one compares recent ruling with the opinion expressed in the *Beattie* case of 1919. In that case an otherwise normal blind child was denied admission to the Wisconsin public schools. The right of the child to attend public school could be abridged when the presence of the child, in the judge's words was, "harmful to the best interest of the school." This situation was said to occur when a handicapped child caused "a depressing and nauseating effect on the teachers and school children" (Crabtree, 1973, p. 17).

As Wilken and Porter (1977) point out, as recently as 1967, the judicial views in Wisconsin had not changed. An action similar to *Beattie* was upheld in that year by the state's attorney general. However, the judicial situation began changing rapidly in the early seventies. In 1972 the *PARC* agreement was reached in Pennsylvania (*Mills* v. *Pennsylvania*, 1972) and the *Mills* decision was handed down (*Mills* v. *Board of Education of the District of Columbia*, 1972). These cases were to have much the same effect on special education that the *Serrano* v. *Priest* (1971) case had on school finance. In the case of *PARC* v. *Pennsylvania*, a state court supported the constitutional right of a child to receive a free and appropriate education, even though that child was handicapped. In the *Mills* case, a federal court affirmed that same right.

The judge in the *Mills* case stated the new rights of the handicapped child very clearly:

> If sufficient funds are not available to finance all of the services and programs that are needed and desirable in the system, then the available funds must be expended equitably in such a manner that no child is entirely excluded from a publicly supported education .... The inadequacies of the ... Public School System, whether occasioned by insufficient funding or administrative inefficiency, certainly cannot be permitted to bear more heavily on the "exceptional" or handicapped child than on the normal child (Wilken and Porter, 1977, p. 3).

Less than two years after *PARC* and *Mills*, 34 similar suits were filed in 21 different states (Hensley, 1973, p. 4).

All 50 states now have special education programs. According to Wilken and Porter, the national per pupil expenditure for the excess cost of special education programs run by local education agencies rose from $322 per special education pupil in 1972 to between $550 and $600 in 1975 (1977, pp. 1-17). In 1972 special education spending represented 4.6 percent of total education expenditures. By 1975 the proportion had increased to 7.5 percent. However, in that year

41 percent of the nation's 4.5 million children were estimated to be unserved (Wilken and Porter, 1977, Table 1-26).

Under the present system of state-run special education programs, each state's program tends to be somewhat unique. This holds true not only for matters of curriculum but also for finance structures. There are currently five different types of finance formulas for special education. Some states use a combination of these:

1. Excess expenditure. Under this system, the state refunds to the local education agency (LEA), all or part of its expenditure of educating a handicapped student above what the LEA would have spent for the child's education if the child were not handicapped. The proportion of state assistance varies from a low of 25 percent of state-approved excess expenditures in South Dakota to 100 percent of excess expenditures in Pennsylvania.

2. Teacher units. The state reimburses the LEA a certain amount for each special education teacher that is employed. Some states include instruction aides in this formula. The LEA is usually limited as to the student/teacher ratio that may be maintained for the purposes of state reimbursement.

3. Weighted categories. Under this formula, each handicapped child enrolled in a school district carries a weight, which differs according to the type of handicap. The normal child may be weighted 1.0. If a blind child is weighted at 1.5, this signifies that the expected cost of educating that student is 50 percent higher than the normal child. The weight is then multiplied by a base amount for reimbursement. In Florida, for instance, 15 weights are used.

4. Classroom units. The state gives the LEA a grant of a specific amount for each special education class maintained. In 1976-77, Missouri, for example, granted $4,500 to $6,000 for each approved unit.

5. Special education support per pupil. Under this system, the state permits the LEA to receive a special education apportionment tied to the total number of students served by the LEA.

II. Special Education In Four States

In this chapter, state funding of special education programs for 1975-76 is examined in four states. The states have been selected in order to reflect national variation in the way state special education programs are operated. The selection criteria included the general state aid distribution mechanism, the level of state support provided and geographical location. The states selected for study are Connecticut, Florida, Missouri and Oregon.

Connecticut

Connecticut's mandatory special education law (Section 10-76a-J, Connecticut General Statutes) became effective in July 1967. In 1975-76, 11 handicapped categories were recognized: speech impaired, hearing impaired, partially sighted, educable mentally retarded, trainable mentally retarded, physically handicapped, socially and emotionally maladjusted, neurologically impaired, learning disabled, pregnant and multiple handicapped.

The state's finance formula for special education provides a reimbursement of two-thirds of approved excess expenditures. Excess expenditures are determined by calculating the expenditures of instruction, support, supervision, administration, equipment, materials and transportation. In 1975-76 the legislature appropriated $41 million for special education. The remainder of the excess expenditures is borne by the local district and must be paid for from other funds including federal aids.

State regulations require that handicapped children receive a free appropriate education. The state's program currently meets many of the requirements of P.L. 94-142, such as placement in the least restrictive environment, individualized education program (IEP) or behavioral goals for each handicapped child, due process for children being placed, parental involvement, annual review of IEP and "periodic evaluation" of the student's progress. The same provisions apply to private schools serving handicapped children.

Florida

Special education became mandatory for school-age children in 1973 (Statutes 288.051 and 228.03). In 1975-76, 11 full-time categories of

handicap were recognized: educable mentally retarded, trainable mentally retarded, physically handicapped, physical-occupational therapy required, speech and hearing impaired, deaf, visually impaired, emotionally disturbed, socially maladjusted, specific learning disability and hospital homebound. Florida also recognizes separate categories for handicapped students who are only in special part-time programs.

The state contributes its share of special education expenditures through a pupil-weighted formula. The legislature establishes the base student allocation each year. In 1975-76 the base was $754.51. The handicap cost factors are then multiplied by the base student allocation to determine the level of state support. The chart below shows some of the cost factors. The way the system works can be seen from the chart, e.g., a district will receive 2.3 x $754.51 for each child who is categorized as educable mentally retarded.

Special Education Student Programs*

Educable mentally retarded	2.30
Trainable mentally retarded	3.00
Physically handicapped	3.50
Physical and occupational therapy, part-time	6.00
Speech and hearing therapy, part-time	10.00
Deaf	4.00
Visualy handicapped, part-time	10.00
Visually handicapped	3.50
Emotionally disturbed, part-time	7.50
Emotionally disturbed	3.70
Socially maladjusted	2.30
Specific learning disability, part-time	7.50
Specific learning disability	2.30
Hospital and homebound, part-time	15.00

* Part-time students are served on an itinerant basis. This raises their per pupil cost.

The 1976 state appropriation for special education was $137 million. It is estimated that the state provided 63 percent of the statewide excess expenditures of educating exceptional children in 1976 (National Association of State Directors of Special Education, 1977, p. 60). Therefore, local districts needed to raise a considerable amount in order to fund fully total excess expenditures.

Florida currently requires a free appropriate education for all handicapped students. Due process is also required for placement and services must be provided in the least restrictive environment. Regulation does not require an IEP but its use is common. Parent participation in IEP and evaluation of progress are not required.

Missouri

In July 1974, Missouri enacted its mandatory special education law (162.670-162.995 R.S. Mo.). The legislation is mandatory for children, ages 5 through 20, and permissive for children, ages 3 and 4. In 1975-76, 13 categories of handicapping conditions were recognized: blind, partially sighted, deaf, hard of hearing, speech, educable mentally retarded, trainable mentally retarded, profoundly mentally retarded, behavioral disorderly, learning disabled, orthopedically handicapped, children with special health problems and cerebral palsy.

The amount appropriated for special education in 1976 was $32,304,044. The system of support for special education is based on approved classroom units. Districts receive, pursuant to approval, $6,000 for each full-time class established for the physically handicapped, and $4,500 per class for mentally retarded students. An additional $800 per homebound student is also provided. For each professional staff member engaged in providing special education services outside of the full-time classroom, districts receive $4,000. Districts are also reimbursed $2,000 for each teacher aide employed in special education classes. These amounts are adjusted annually to keep pace with inflation. The state reimbursement formula does not cover materials, equipment or other expenses.

State regulations required a free appropriate education for all children, due process, IEP, least restrictive environment and periodic reevaluation of student progress, prior to the passage of P.L. 94-142.

Oregon

The legal requirements for special education are provided under the Oregon Revised Statute 339.030(4) as amended by Chapter 728.0.2 1973; AGO No. 7059. Permissive regulations cover children from birth to age 5. Services must be provided to individuals between the ages of 6 and 21. The state special education aid formula provides 30 percent reimbursement of approved excess expenditures. In 1975-76 the state's appropriation for special education amounted to $5,273,196. Since many of Oregon's school districts are in sparsely populated rural areas, a system of intermediate education districts has been formed. These districts provide services on an itinerant basis to their member school districts, and they may use their state funds to provide all normal special education services.

State law requires due process procedures and a free appropriate education for all children. Periodic evaluation of student progress and IEP are not required but are in common use. Least restrictive environment is not required by law.

III. Federal Funding Of Special Education

With the exception of a few minor bills, the federal government did not become involved with special education until 1957, when the Cooperative Research Program was created. This program allocated funds for research on the education of the retarded. The federal role was greatly expanded in 1965, when Congress passed the Handicapped Act of 1965. Under this act, the federal role was to provide technical assistance to state education agencies (SEAs) so that they could build their capacity to provide special education services.

As a result of the 1965 program, the Bureau for the Education of the Handicapped was established within USOE. Among its primary tasks, the bureau carried out research and development projects and training programs for SEA staff working in the area of special education. In 1968 the Handicapped Children Early Education Assistance Act was passed. Under this law, the federal government established several experimental demonstration centers for the education of handicapped children.

The Elementary and Secondary Education Act (ESEA) in 1965 also had an impact on special education. Title III of ESEA established innovative regional centers for handicapped education; this was later amended so that a portion of all funds was to be spent for special education purposes. The Vocational Education Act of 1963 was also amended in 1968 to require that 10 percent of state grants be devoted to special education programs.

The real turning point in federal aid to special education came in 1974 with the amendment to the Handicapped Act of 1965. This amendment, introduced by Senator Mathias, established federal aid to states to cover special education expenditures. This was the first time that the federal government had become involved in a program of direct support for special education in public schools.

Under this act, funds were distributed evenly among states on the basis of their population. Congress authorized an expenditure of $100 million in 1976 and $200 million in 1977 for the purposes of this legislation. However, in 1978, P.L. 94-142 superseded this legislation.

Public Law 94-142

In December 1975 the "Education for All Handicapped Children Act of 1975" became law. This law places the federal government directly into the funding of special education at all levels of the educational process by providing funds to local education agencies (LEAs) and to SEAs for the direct support of special education activities. It also has numerous programmatic requirements to which state special education programs must conform in order to receive funds.

The primary purpose of the legislation is to assure a free appropriate public education for all handicapped children. The rights of children and their parents are clearly defined in the law. The law also provides that the federal government will aid the states in financing special education services and will monitor the effectiveness of the states' efforts to educate handicapped children. All states receiving such aid must have included all handicapped children, ages 3 through 18, in special education services as of Sept. 1, 1978, and all handicapped children, ages 3 through 21, by Sept. 1, 1980.

Each state is required to provide an annual plan containing the policies and procedures for implementing the provision of full educational opportunity to all handicapped children. A timetable is to indicate when that goal will be met. The plan must also include a description of facilities and services for handicapped children, the establishment of priorities for compliance with the provisions of P.L. 94-142 and an annual evaluation of the program's effectiveness.

Local education agencies are required to file an application for P.L. 94-142 funds. The LEA may only use P.L. 94-142 funds to meet excess expenditures incurred in providing special education services. Supplanting of local funds with P.L. 94-142 funds is prohibited except after all children are fully served. Detailed records, which include an IEP, must be kept. The IEP is a statement of behavioral goals designed for each handicapped child. The IEP is not a contract; it only stipulates what the LEA will attempt to achieve.

Parents and children are also provided with a number of procedural safeguards. Parents must be informed in their native language and indicate their consent at each step of the identification, evaluation, placement and education processes. Placements of handicapped children are to be in the least restrictive environment; wherever possible, handicapped children are to be placed in classes with nonhandicapped children. Handicapped children are also to participate to the greatest extent possible with nonhandicapped children in nonacademic activities such as recess, lunch and other school functions.

The state education agency is responsible for the implementation of the requirements of P.L. 94-142, including the monitoring and evaluation of LEA activities. The state may use up to five percent of the total state allotment (or $200,000, whichever is greater) for administration of the provisions of P.L. 94-142. Each state must also maintain an advisory panel to oversee activities and services provided under P.L. 94-142.

Fund allocations are computed on the basis of statewide entitlements. In order to receive funds, the state must agree to serve all eligible children. A state's apportionment is based on the number of handicapped children, ages 3 through 21. The number of students served is then multiplied by the national average per pupil expenditure for pupils in kindergarten through the 12th grade. The federal government is authorized to reimburse the state for a percentage of this amount according to the following schedule (appropriations have been below authorized levels):

Fiscal Year	Percent
1978	5
1979	10
1980	20
1981	30
1982	40

There are certain restrictions placed on LEAs regarding the number of students that may receive reimbursement. The state count of handicapped children may not exceed 12 percent of all children, ages 5 through 17, in the state. Children classified as having specific learning disabilities may not exceed more than two percent of all children, ages 5 through 7.

If Congress does not provide sufficient funds to meet the allocation formula, the amount of each state's allocation will be reduced proportionately. In 1978, 50 percent of the allocation may be used by the state to meet its special education obligation and for redistribution to LEAs. After 1978, 25 percent will go to the state and the remaining 75 percent will go directly to the LEAs.

Despite all its apparent good points, P.L. 94-142 is not without controversy. One major concern is how compatible the federal financing mechanism is with existing state special education programs. Existing research on the funding of those state programs is examined in the next chapter.

IV. Previous Research On Special Education Finance

School finance in general has been a popular topic among researchers, but very little research has been done that deals with the financing of education for the handicapped. This deficiency may be traced to the fact that funding levels for special education have been very low until recently.

Special education finance research can be disaggregated into a number of discrete areas. Knowledge of the incidence of handicapping conditions is a necessary requisite to determining financial effects. Incidence studies represent some of the earliest special education finance research. The early attempts to determine the national incidence levels of handicapping conditions were little more than educated guesses using available state information. Mackie (1954) found a national incidence figure of over 12 percent for all handicapped children. A study by Mackie, Williams and Hunter (1963) drew a similar conclusion using 1957-58 data.

A number of other researchers also have carried out incidence studies. Some have been based on original data (New York State Commission on the Quality Cost and Financing of Elementary and Secondary Education, Vol. 2, 1972). Others, such as Rossmiller (1970) and Taylor (1969), use data from other sources.

These various incidence figures, while often quoted, suffer from the fact that they are only estimates. One of the objectives of the Bureau for the Education of the Handicapped (BEH) was to provide more precise handicapping incidence figures. In cooperation with the National Center for Education Statistics (NCES), a survey of each state was begun by the BEH. This study was the first systematic attempt to determine precisely, from original data, the incidence levels for various handicapping conditions. This first report yielded a national incidence figure for all handicaps of 9.98 percent (BEH, 1968). This figure was followed by another BEH study using 1969 data, which showed a national incidence level of 10.04 percent (BEH, 1970).

It should be noted that the BEH figures also were somewhat imprecise. Each state collects its own data, and different methodologies and definitions have been employed within states. Recent revisions to the NCES Public Accounting Manual stipulate precise reporting

criteria for handicapped persons, which should lead to improved counting procedures.

The National Association of State Directors of Special Education (NASDSE) continues to survey the states on an individual basis for BEH. Its study provides one of the most recent and detailed studies of handicap incidence available (NASDSE, 1977). Another recent incidence study is that done by Wilken and Porter (1977).

The amount of research that deals with the actual financing of special education programs is very scarce. A number of studies have attempted to determine expenditure levels for various special education programs. The simple expenditure studies inspired others that attempted to assess program quality as well. Two of the earliest attempts to determine cost differentials to educate the various types of handicapped students were performed by the California State Department of Education (1967) and the Rochester Bureau of Municipal Research (Greenspan and Grasberger, 1969). These were followed later by studies such as the Rossmiller, Hale and Frohreich (1970) study and one by Johns, Alexander and Jordan (1971). More recently, Rossmiller (1979) has studied the cost of providing services to the handicapped by service delivery structures rather than by the handicapping condition. The conclusions of these studies formed the basis of many pricing programs in special education, but at the present time special education costs are still a disputed subject. Much more research is needed in this area.

There are few studies of special education finance mechanisms, and a number of publications contain summary descriptive data on special education finance. Among these are State Profiles in Special Education (NASDSE, 1977) and Public School Finance Programs 1975-76 (Tron, 1976). These studies are primarily descriptive in nature. Only the Rossmiller, Hale and Frohreich (1970) studies and the Counsel for Exceptional Children study (1968) attempt an analysis of the causes of expenditure level variations.

A major study of special education finance was completed by Wilken and Porter (1977). They attempted to answer questions about what the special education dollars buy, who receives the services and the patterns of distribution. Their major findings indicated that property wealthy school districts tended to get more special education funds than poorer districts. They concluded that wealthier school districts were able to do this because they did a better job of utilizing their resources and personnel to obtain special education funds (Wilken and Porter, 1977, pp. III-70 - III-72). More research is essential to determine whether the relationship between wealth and special education dollars is a national phenomenon, and whether the

increasing attention to wealth equalization in the states has affected this relationship.

A 1977 study prepared by the Stanford Research Institute for the Bureau of Education for the Handicapped surveyed state level data bases in regard to counts of handicapped pupils. The study was designed to calculate estimates of expected enrollments in programs for the handicapped, particularly under the guidelines of P.L. 94-142. The study examined numerous factors that affect such estimates and determined that extant data bases were insufficient to produce reliable estimates.

Currently, BEH is funding a major study by the Rand Corporation to determine the costs of special education programs. The study is using a nationally representative sample of special education programs as a basis for determining the average cost for providing services to handicapped students with different programmatic needs.

V. Distribution of State Special Education Funds: An Interstate Study

Plan of the Study

This study has three major concerns. First, it explores the compatibility of state and federal financing for special education. Second, it examines the compatibility of classification schemes under state programs and P.L. 94-142. Third, it addresses the probable effect of P.L. 94-142 on the coordination of special education services. The first concern, funding compatibility, is examined in a four-state study of special education dollars and students. Funding compatibility was also addressed in a questionnaire sent to all state directors of special education. The second and third concerns were also addressed in the survey.*

The four states used for in-depth analysis — Connecticut, Florida, Missouri and Oregon — provided data for the 1975-76 fiscal year on the number of handicapped students both served and unserved by school districts. They also supplied data on property value, income, tax rates and various other items.**

Precise definitions are necessary to understand special education finance. In this study, the term "served handicapped student" refers to a special education student who is receiving full education services as defined by the state involved. These services comply with what the federal government calls a full appropriate public education. "Unserved students" refers to all handicapped students, both in and out of school, who are either receiving inadequate services or are not receiving any special education services. Therefore, the definition of unserved special education students used in this study also includes students that are classified as underserved in some states.

A major variable addressed in the study is the level of federal aid for special education. That variable is defined as the aid the federal

*The survey questionnaire is presented in Appendix A.

**Median family income data were taken from the 1970 Census for Connecticut, Florida and Oregon. Adjusted gross income per return for 1975 was the variable used to approximate family income for Missouri.

government would have provided in 1976, if it were providing 40 percent of the national average education expenditure per handicapped student, the level of federal funding specified in P.L. 94-142 for 1982. The Bureau for the Education of the Handicapped determined the 1976 national per pupil expenditure to be $1,430. Therefore, the dollar figure used as the basis of a simulated federal contribution was $572 per handicapped student. The purpose for using these figures is to analyze the flow of federal dollars in 1975-76 at the highest level they are likely to be in the next few years.

Assessed property value and school tax rates were all adjusted to reflect their values at an equalized assessed value. Therefore, figures are comparable among districts within states. All pupil counts are expressed in terms of full-time equivalent (FTE) students.
dents.

Characteristics of School Districts Serving Special Education Students

One of the questions that arises in special education finance is whether the distribution of handicapped students across districts and states is similar and, if not, what factors are related to the variation.

As shown below, the states differed dramatically in the percentage of students that were served in programs for the handicapped:

State	Percentage of Students Served
Connecticut	10.33
Florida	2.78
Missouri	12.99
Oregon	7.87

This interstate variation could be a function of three possible factors: the distribution of handicapped students was not even among the states, the states used widely different criteria and standards to define who is a served handicapped student, or the states varied significantly in the number of handicapped students they served. It is likely that all three factors, to some extent, were responsible for the differences found.

Tables 1 through 5 show the relationship between certain district characteristics and the proportion of served handicapped children. Past studies have indicated that the incidence level of handicapping conditions tends to be higher among children of lower wealth

and socioeconomic status (Craig and Malgorie, 1977, p. 9; Craig and McEachron, 1975, p. 31). It is therefore expected that the proportion of handicapped students would be higher in school districts with higher proportions of low income residents. However, it is clear from Tables 1 and 2 that there were no strong relationships between the percentages of handicapped students served and district fiscal conditions, as measured by either the property wealth or income level of the district.

This finding may reflect the fact that while the incidence of handicapped children is higher in poor districts, wealthy districts do a better job of identifying and serving handicapped children. It may also reflect the fact that low income families are not concentrated in low property wealth districts. The findings shown in Tables 1 and 2 indicate that the relationship between district wealth and numbers of handicapped students served is somewhat unique to each state.

Table 3 indicates the relationship between district per pupil expenditures and the percentage of handicapped students. The relationships were in the same direction as the district wealth relationships — but once again, they were not very strong. Since local wealth and expenditures were highly correlated in each state, it would be expected that expenditures and wealth have similar relationships to the percentage of served students.

Table 4 displays the patterns of distribution of served handicapped students among cities, suburbs and rural areas. Again, the pattern differs slightly among the states. In Connecticut, large cities served the smallest percentage of students and suburban areas served the greatest percentage. In Missouri, rural areas served the greatest percentages of handicapped students and the suburbs served the lowest percentages of handicapped students. In Oregon, cities outserved rural areas; cities served the greatest percentages, rural areas followed and suburbs came last. In Florida, no pattern is apparent.

Larger districts seemed to serve a slightly greater percentage of handicapped students than smaller districts in Connecticut and Oregon, as shown in Table 5. The opposite was found in Missouri. Again, the proportion of handicapped pupils served is constant across all districts in Florida.

While this discussion has dealt with the location of students served in 1975-76, it is important to determine where increases in the number of students served will occur due to the provisions of P.L. 94-142.

Table 1

Handicapped Students in 1975-76 Served as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of District Property Wealth per Pupil

Deciles	Connecticut	Florida	Missouri	Oregon
First (lowest)	8.53	2.75	12.31	4.62
Second	11.61	2.57	12.50	7.00
Third	10.10	3.09	14.25	8.04
Fourth	10.89	2.80	12.71	7.22
Fifth	10.93	3.00	11.46	8.42
Sixth	10.97	2.21	14.25	8.45
Seventh	9.69	2.56	13.92	7.17
Eighth	9.33	2.65	12.14	6.64
Ninth	9.20	3.32	15.19	10.24
Tenth (highest)	11.99	2.77	11.12	10.91

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 2

Handicapped Students in 1975-76 Served as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of District Family Income

Deciles	Connecticut	Florida	Missouri	Oregon
First (lowest)	9.39	2.78	12.10	9.87
Second	8.63	2.94	16.56	8.72
Third	9.28	2.69	14.38	8.76
Fourth	9.83	2.57	16.10	6.89
Fifth	10.75	3.02	13.80	8.22
Sixth	11.08	2.79	14.24	9.88
Seventh	10.56	2.83	13.03	9.27
Eighth	12.55	2.62	11.81	9.25
Ninth	9.83	2.81	11.21	7.45
Tenth (highest)	11.47	2.74	6.58	10.19

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 3

Handicapped Students in 1975-76 Served as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of District State and Local Revenues per Pupil

Deciles	Connecticut	Florida	Missouri	Oregon
First (lowest)	7.74	2.50	10.28	5.77
Second	10.89	2.67	13.98	6.19
Third	9.83	3.12	11.51	6.50
Fourth	9.84	2.92	12.84	7.56
Fifth	11.35	2.68	12.49	5.75
Sixth	9.84	2.80	12.84	9.96
Seventh	10.71	2.75	15.22	8.49
Eighth	11.26	2.58	15.74	8.04
Ninth	11.04	2.90	14.61	9.12
Tenth (highest)	10.83	2.85	10.28	11.26

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 4

Handicapped Students in 1975-76 Served as a Percent of all Students for Districts in Connecticut, Florida, Missouri and Oregon, by District Type

Urban-Rural Measures	Connecticut	Florida[a]	Missouri	Oregon
Central Cities	9.83	2.83	11.19	10.41
Suburban Areas with more than 2,000 pupils	10.12	2.83	6.38	11.70
Suburban Areas with fewer than 2,000 pupils	10.78	2.57	10.89	6.38
Nonmetropolitan Areas with more than 2,000 pupils	9.86	2.74	11.09	7.28
Nonmetropolitan Areas with fewer than 2,000 pupils	10.65	2.96	14.31	8.04

[a]For Florida, the figures are for districts with different percentages of urban populations: from districts having between 80 and 100 percent of their population defined as urban (corresponding to Central Cities) to those having less than 20 percent of their populations defined as urban (corresponding to Nonmetropolitan Areas with fewer than 2,000 pupils).

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 5

Handicapped Students in 1975-76 Served as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Pupil Size of School District

Size	Connecticut	Florida	Missouri	Oregon
Fewer than 300 pupils	7.55		17.14	6.47[a]
301 to 500 pupils	9.12		16.39	7.61
501 to 1,000 pupils	11.39	2.86[b]	13.61	8.61
1,001 to 5,000 pupils	10.70	2.87	9.98	8.31
5,001 to 10,000 pupils	9.88	2.75	5.66	10.37
More than 10,000 pupils	10.56	2.71	6.80	10.60

[a]This figure is for districts with between 101 and 300 pupils. For districts with less than 101 pupils, the figure is: 7.93.

[b]This figure is for districts with up to 1,000 pupils. No further disaggregations are available.

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Characteristics of School Districts Where Handicapped Students Will Be Located When P.L. 94-142 is Fully Implemented

One of the most difficult problems associated with studying special education is the identification of students in need of special education services. While it is relatively easy to compare states in terms of the number of students being served, it is very difficult to compare states in terms of how many students are eligible to be served and who might be served when new funding, such as that provided under P.L. 94-142, is available. This section analyzes what would have resulted in the states if P.L. 94-142 had been implemented in 1975-76.

This analysis is based on estimates provided by the states of the number of pupils in need of special education services but not actually receiving them in 1975-76. Such estimates must be viewed cautiously in light of the ability of states to have identified all students with special education needs in 1975-76, especially those not being served in state programs operating at that time.

On a statewide basis, if the total percentage of served students is subtracted from the estimates of students who will be served when P.L. 94-142 is fully implemented, a percentage of new students needing special education can be calculated. The statewide percentages of the total enrollment that are unserved handicapped students

are as follows: Connecticut = 1.10 percent, Florida = 4.0 percent, Missouri = 1.56 percent, and Oregon = 3.8 percent. If the states in 1976 served all the handicapped students eligible under P.L. 94-142, they would very likely serve different percentages of students. Missouri would have served over twice as many students as Florida if all eligible students had been served in 1975-76.

The disparity between the number of students served in each state, even assuming the full implementation of P.L. 94-142, may have fiscal implications. The states may have to make different financial efforts to meet the mandates of P.L. 94-142. If, as Table 6 shows, some states will have to serve a larger proportion of all students than other states, the fiscal burden on them will be larger, not only in the first years of the law when only small amounts of money will be provided to the states, but also when the law reaches its full funding level.

Table 6 also indicates that after P.L. 94-142 is implemented, the percentage of handicapped students served will be distributed almost equally across districts grouped by deciles of property wealth. At full service levels, the distribution of handicapped students would likely be unrelated to property wealth.

Table 7 shows the distribution of handicapped students under new federal regulations by family income. A comparison of Table 7 with Table 2 indicates that in Connecticut, Missouri and Oregon, the new students served will probably be concentrated in the same districts as presently served students. That is, full implementation of P.L. 94-142 will proportionally affect districts according to their present level of effort relative to income. In Florida, new students would tend to be found in districts with higher income levels. However, the effect is slight.

A comparison of Table 8 with Table 3 shows that just as there was a slightly positive relationship between district expenditures and the percentages of handicapped students served in 1975-76, there would be a similar relationship when presently unserved students receive services.

Table 6

Handicapped Pupils Who Would Have Been Served If P.L. 94-142 Had Been Implemented in 1975-76 as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of Property Wealth per Pupil

Deciles	Connecticut	Florida	Missouri	Oregon
First (lowest)	9.48	6.64	13.72	8.12
Second	12.63	6.82	14.02	10.17
Third	11.20	8.09	15.91	12.91
Fourth	11.97	6.55	14.24	11.88
Fifth	12.36	6.42	12.08	12.82
Sixth	12.40	5.72	16.00	12.26
Seventh	10.54	6.83	15.61	10.50
Eighth	10.73	6.33	13.70	12.64
Ninth	10.00	7.52	17.05	12.84
Tenth (highest)	12.99	6.87	12.36	12.01

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 7

Handicapped Pupils Who Would Have Been Served If P.L. 94-142 Had Been Implemented in 1975-76 as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of Family Income.

Deciles	Connecticut	Florida	Missouri	Oregon
First (lowest)	10.31	5.57	13.44	13.91
Second	9.71	7.60	18.55	14.51
Third	10.14	6.11	16.06	14.69
Fourth	10.97	7.32	18.03	12.22
Fifth	10.58	7.04	15.47	14.66
Sixth	12.61	7.15	16.00	14.02
Seventh	11.88	6.09	14.52	13.66
Eighth	13.55	6.60	13.24	13.92
Ninth	11.25	7.58	12.60	11.16
Tenth (highest)	12.53	7.06	7.45	13.68

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 8

Handicapped Pupils Who Would Have Been Served If P.L. 94-142 Had Been Implemented in 1975-76 as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of Expenditures per Pupil

Deciles	Connecticut	Florida	Missouri	Oregon
First (lowest)	8.72	5.18	11.44	7.89
Second	12.01	6.57	15.62	9.92
Third	10.74	6.54	12.84	9.98
Fourth	11.25	7.42	14.44	12.33
Fifth	12.57	6.28	13.96	9.99
Sixth	10.90	7.74	14.34	14.70
Seventh	11.74	7.05	17.12	13.45
Eighth	12.39	7.42	17.67	11.25
Ninth	12.67	6.64	16.39	13.67
Tenth (highest)	11.74	7.07	11.55	13.19

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 9

Handicapped Pupils Who Would Have Been Served If P.L. 94-142 Had Been Implemented in 1975-76 as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by District Type

Urban-Rural Measures	Connecticut	Florida[a]	Missouri	Oregon
Central Cities	11.31	6.90	12.69	13.72
Suburban Areas with more than 2,000 pupils	11.33	6.46	7.22	17.00
Suburban Areas with fewer than 2,000 pupils	12.04	6.12	12.23	9.48
Nonmetropolitan Areas with more than 2,000 pupils	11.28	7.17	12.46	12.61
Nonmetropolitan Areas with fewer than 2,000 pupils	11.04	7.45	16.01	11.63

[a]For Florida, the figures are for districts with different percentages of urban population: from districts having between 80 and 100 percent of their population defined as urban (corresponding to Central Cities) to those having less than 20 percent of their population defined as urban (corresponding to Nonmetropolitan Areas with fewer than 2,000 pupils).

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

P.L. 94-142 will have a somewhat differential impact on cities, suburbs and rural areas, as shown in Table 9. In Florida, the cities will have a larger percentage of handicapped students than the suburbs. Missouri's rural areas will have the largest proportions of handicapped students, while in Oregon and Connecticut, it will be the suburbs that bear the greatest burden. However, these distributions do not differ very much from the distributions of served students in 1975-76. Similarly, there is likely to be little change in the relationship between district size and percentages of handicapped students as Table 10 indicates. There may still be slightly greater concentrations of handicapped students in larger school districts.

From the foregoing discussion, some tentative conclusions can be drawn as to the impact of P.L. 94-142. It will probably reduce the percentage disparity of student population served in special education among the four target states. As P.L. 94-142 is implemented, the distribution of the added unserved students will not fall disproportionately on particular districts, characterized by wealth or size, relative to the proportions of students served in 1975-76. These conclusions must be interpreted with care, as discussed previously, given the fact that they are based on estimates of pupils eligible, but not served, by special education programs in 1975-76.

Table 10

Handicapped Pupils Who Would Have Been Served If P.L. 94-142 Had Been Implemented in 1975-76 as a Percent of All Students for Districts in Connecticut, Florida, Missouri and Oregon, by Pupil Size of School District

Size	Connecticut	Florida	Missouri	Oregon
Fewer than 300 pupils	8.04[a]		19.18	10.89
301 to 500 pupils	9.73		18.38	10.88
501 to 1,000 pupils	12.22	4.87[b]	15.24	13.07
1,001 to 5,000 pupils	11.87	6.81	11.19	13.26
5,001 to 10,000 pupils	11.38	6.72	6.40	15.88
More than 10,000 pupils	11.74	6.91	7.71	14.01

[a] This figure is for districts with between 101 and 300 pupils. For districts with less than 101 pupils, the figure is 8.72.

[b] This figure is for districts with up to 1,000 pupils. No further disaggregations are available.

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

P.L. 94-142 not only will extend special education services to more handicapped students, but also will provide new dollars for the excess expenditures related to providing those services. Now that an examination of the distribution of the new students has been made, attention can be shifted to the distribution of the new dollars provided by P.L. 94-142. As in the case of the students, there is a concern about the relationship between district characteristics and the distribution of funds and the impact of the flow of new federal funds.

Special Education Dollars: Interstate Variations

In 1975-76 there were large interstate differences in the amount of funds distributed to handicapped students in Connecticut, Florida, Missouri and Oregon. Table 11 indicates the amount of state special education support per handicapped student, the amount of federal P.L. 94-142 funds that would have been received by the same students, if the federal formula at the 40 percent level had been in effect, and the total amount of local and state funds distributed, on average, to all pupils.

Table 11

Distribution of 1975-76 State and Federal Aid for Special Education

	State Aid Per Handicapped Pupil	Federal Aid Per Handicapped Pupil	Total State and Local Support Per Pupil
Connecticut	$ 692	$572	$1,407
Florida	2,615	572	1,119
Missouri	246	572	991
Oregon	257	572	1,673

While Missouri and Oregon provided similar levels of support to handicapped students, Connecticut provided nearly three times that level of support and Florida provided over 10 times that level of support. The states also differed in the proportion of revenue for all students that was provided to meet excess expenditures associated with handicapped students. State revenues for handicapped students ranged from 15 to 235 percent of the average state and local support for all students.

If federal support were distributed to handicapped students using the 40 percent reimbursement factor and the average expenditure factor of $1,430, each handicapped student would have received $572. This amount varies among the states as a percentage of state

and local revenues from 34 to 58 percent. If state and local revenues per student are indicative of cost variations across the states, then federal flat grant aid will differentially affect the states. However, differences in state and local revenues per student may also vary due to taste, tax effort or education need factors in addition to a cost factor.

What is not clear is how states will respond to the availability of federal funds. The $572 will be constant even though the number of students to be served will increase under P.L. 94-142, assuming full funding. However, state aid per handicapped child would only remain at the levels indicated in Table 11, if total appropriations increased to meet the needs of new students. If total state appropriations did not increase, then the amount of aid available per student would decrease by between 10 and 60 percent, based on the projected increase in eligible students. In either case, more funds would be available per handicapped student, although there would still be substantial variation in the proportion of excess expenditures provided by nonlocal sources.

The differences in state effort for special education raise another point. The cynic might suspect greater local identification of handicapped students in states which shoulder the greatest part of the cost of special education. Local districts in such states would not worry that by identifying new students they were creating additional local expenditure demand; the cost of educating the new students would be shifted to the state. On the other hand, most states have a limited amount of funding available for special education. Thus, local districts have an incentive to serve only those students for whom the state share is at a maximum level. Numerous other explanations are possible in explaining the interaction between the availability of support and the identification of handicapped students. The fact is that Missouri had the smallest unmet need but one of the lowest levels of state support for special education. Florida had a very high level of state support for special education, yet it had by far the greatest unmet need.

Special Education Dollars: Intrastate Flow of Funds

It has already been shown that the distribution of pupils served by special education programs differs, to various degrees, among districts depending on their level of property or income wealth, their size and the extent to which they can be classified as urban, suburban or rural. Of similar interest is the extent of the relationship between the distribution of state special education aid and district characteristics. In Table 12 the amount of state special education

support per handicapped pupil and the amount of total state and local revenue per pupil in 1975-76 is shown for deciles of districts ranked, from low to high, and by property wealth per pupil. Within each of the four states, there does not appear to be any systematic relationship between state special education support and district property wealth.

In Connecticut, districts in the three wealthiest deciles received more state aid per handicapped pupil than other districts. However, the ratio of special education support was relatively constant in all deciles except the wealthiest, where it is extremely high. In Florida, the amount of special education aid was similar across all deciles, with a slight tendency to have increased as property wealth increased. In Missouri, state special education support was rather constant across all deciles, declining slightly as wealth increased. The result of the decline in state aid and the increase in total state and local support across deciles was that state special education support as a proportion of average state and local support decreased as wealth increased. In Oregon the distribution of state support for special education was unrelated to wealth.

In Table 13 the relationship between state special education support and district income is examined. There appears to be no systematic relationship between income and state special education support in any of the states.

In Table 14 the relationship between state special education support and district size, in terms of total enrollment, is examined. In Connecticut, districts with between 300 and 1,000 pupils receive much greater state support as compared to smaller or larger districts. Because of the small differences in total state and local support between districts of varying size in Connecticut, the results in state aid per handicapped pupil are much greater as a proportion of total support in these districts. In Florida, there is no relationship between either state special education support or total state and local support and district size. In Missouri, state special education support declines moderately as district size increases, while total state and local revenues increase modestly with size. In Oregon, state special education support decreases as size increases among districts with fewer than 1,000 pupils; such aid is constant among districts with more than 1,000 pupils.

Table 12

1975-76 State Special Education Aid per Handicapped Pupil (Aid) and Total State and Local Revenue per Pupil (Revenue) for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of Property Wealth per Pupil

Deciles	Connecticut		Florida		Missouri		Oregon	
	Aid	Revenue	Aid	Revenue	Aid	Revenue	Aid	Revenue
First (lowest)	$ 528	$1,192	$2,301	$1,031	$ 264	$ 863	$ 345	$1,005
Second	515	1,234	2,411	1,026	286	873	335	1,210
Third	696	1,267	2,568	1,051	253	902	187	1,282
Fourth	407	1,384	2,360	1,038	282	921	193	1,439
Fifth	450	1,223	2,413	1,091	254	931	182	1,453
Sixth	511	1,403	2,875	1,107	260	969	202	1,496
Seventh	676	1,434	2,636	1,099	242	1,028	195	1,591
Eighth	640	1,518	2,865	1,173	231	1,049	382	2,015
Ninth	866	1,715	2,711	1,266	202	1,087	230	2,198
Tenth (highest)	1,542	1,796	3,037	1,314	180	1,290	315	3,022

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 13

1975-76 State Special Education Aid per Handicapped Pupil (Aid) and Total State and Local Revenue per Pupil (Revenue) for Districts in Connecticut, Florida, Missouri and Oregon, by Deciles of District Income[a]

Deciles	Connecticut		Florida		Missouri		Oregon	
	Aid	Revenue	Aid	Revenue	Aid	Revenue	Aid	Revenue
First (lowest)	$ 506	$1,207	$2,385	$1,071	$ 256	$ 996	$ 225[a]	$1,404[a]
Second	592	1,243	2,612	1,055	274	968	157	1,658
Third	498	1,437	2,427	1,016	248	969	187	1,284
Fourth	1,908	1,382	2,852	1,139	281	958	144	1,524
Fifth	501	1,351	2,331	1,055	256	951	140	1,399
Sixth	444	1,323	2,450	1,113	238	948	148	1,470
Seventh	544	1,325	2,635	1,176	246	962	165	1,579
Eighth	500	1,504	2,727	1,123	244	964	141	1,419
Ninth	826	1,523	2,768	1,118	230	983	270	1,478
Tenth (highest)	582	1,780	2,966	1,308	176	1,213	316	1,530

[a] District income is defined as median family income in Connecticut, Florida and Oregon. It is defined as adjusted gross income per return in Missouri.

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 14

1975-76 State Special Education Aid per Handicapped Pupil (Aid) and Total State and Local Revenue per Pupil (Revenue) for Districts in Connecticut, Florida, Missouri and Oregon, by Intervals District Total Pupil Size

Deciles	Connecticut		Florida		Missouri		Oregon	
	Aid	Revenue	Aid	Revenue	Aid	Revenue	Aid	Revenue
Fewer than 300 pupils	$ 541	$1,581			$242	$1,065	$368[a]	$1,663[a]
301 to 500 pupils	1,049	1,433			285	962	237	1,499
501 to 1,000 pupils	1,366	1,302	$2,796[b]	$ 994[b]	250	938	220	1,343
1,001 to 5,000 pupils	541	1,390	2,324	1,055	239	963	155	1,454
5,001 to 10,000 pupils	606	1,418	2,650	1,152	172	1,157	148	1,469
More than 10,000 pupils	584	1,476	2,324	1,166	195	1,175	167	1,678

[a] These figures are for districts with between 101 and 300 pupils. For districts with less than 101 pupils, the figures are: Aid = $308; Revenue = $2,313.

[b] These figures are for districts with up to 1,000 pupils. No further disaggregations are available.

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

The relationship between the flow of state special education support and district type, in terms of urban, suburban or nonmetropolitan status, is shown in Table 15. Consistently, across all the states, the lowest state special education support is provided to pupils in suburban districts with more than 2,000 pupils. However, there is no consistency across the states in the type of district that receives the highest level of state special education support.

While the differences in average state special education support are not generally large across types of districts in Connecticut or Florida, such differences are large, about 100 percent, in Missouri and Oregon. Since total state and local revenues per pupil do not differ dramatically across district types in any of the states, whatever differences are found in state special education revenues as a proportion of total revenues is due primarily to differences in the distribution of state special education support.

If federal funds were distributed under P.L. 94-142 using the 40 percent factor and the $1,430 average expenditure figure, as discussed previously, then in each of the categories of districts shown in Tables 12 through 15, federal support would be $572 per pupil. This constant amount, while it would substantially increase revenues for special education, would do little to alleviate the discrepancies shown in state support. A federal flat grant distributed in addition to state flat grants would not overcome problems caused by some

districts having greater wealth than others or some districts having greater educational needs than others. This is particularly the case when the total of federal and state funds does not match the expenditure level required to provide special education services.

Table 15

1975-76 State Special Education Aid per Handicapped Pupil (Aid) and Total State and Local Revenue per Pupil (Revenue) for Districts in Connecticut, Florida, Missouri and Oregon, by District Type

Urban-Rural Measures	Connecticut		Florida[a]		Missouri		Oregon	
	Aid	Revenue	Aid	Revenue	Aid	Revenue	Aid	Revenue
Central Cities	$627	$1,360	$2,548	$1,052	$314	$1,150	$194	$1,619
Suburban Areas with more than 2,000 pupils	565	1,438	2,311	1,078	157	1,162	135	1,536
Suburban Areas with fewer than 2,000 pupils	610	1,362	2,516	1,084	227	1,058	305	1,455
Nonmetropolitan Areas with more than 2,000 pupils	616	1,397	2,906	1,214	260	961	153	1,389
Nonmetropolitan Areas with fewer than 2,000 pupils	881	1,406	2,807	1,212	257	961	272	1,836

[a] For Florida, the figures are for districts with different percentages of urban populations: from districts having between 80 and 100 percent of their population defined as urban (corresponding to Central Cities) to those having less than 20 percent of their populations defined as urban (corresponding to Nonmetropolitan Areas with fewer than 2,000 pupils).

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

In general, however, the patterns of state special education support do not appear strongly related to either district wealth or educational needs. Of course, this analysis assumes that state special education support will not change as P.L. 94-142 is implemented, an unlikely situation given the increases in the number of pupils that must be served and the likely decreases in the support per served pupil that will be provided by states. This analysis also does not consider possible distributional changes that the states might implement as the new federal funds become available.

Special Education Support and Interdistrict Fiscal Equity

As mentioned earlier, one aspect of special education financing that is likely to receive attention in the future, particularly with an increased federal role, is the interaction between special education support and support for general programs in terms of the impact on

interdistrict fiscal equity. Many states have modified their systems of distributing general aid in order to promote equity.

While special education programs are often considered to be categorical in nature, that is separate from general aid programs, there are reasons for special education funding to enter into discussions of general equity. In those instances where support is insufficient to compensate districts for the full additional expenditures associated with special education programs, the districts must obtain the extra funds from unequal tax bases.

Another reason is that special education funds may not be required to be spent where they are earned. That is, such funds may simply enter a general local fund for use as districts desire. Under such circumstances, local districts contribute substantially to the funding of special education. Since districts differ in their fiscal capacities, some districts are likely to find it easier to provide their share of special education support as compared to other districts, particularly those with low fiscal capacity. This is precisely the situation that has occurred for general funding. A primary target of state systems of general aid is the alleviation of such problems.

A number of states have taken steps to sensitize their special education support systems to equity concerns. The addition of a new federal support program raises questions about how states should deal with such funds in their attempts to promote equity. This is particularly important since the funds are only available when the states agree to certain stipulations that are likely to increase their expenditures and when the federal funds are distributed as flat grants without any consideration given either to the differential needs of districts, based on differences in costs or programmatic expenditures, or to the differential fiscal capacity of districts.

At least two standards of fiscal equity have emerged in the past few years as states have modified their general aid programs. One standard requires that per pupil expenditures be similar across school districts, essentially providing that students will receive similar services. Of course, provisions must be made to account for differences in costs, education needs, and so on in order to accurately apply such a standard since some additional expenditures incurred by districts are legitimate. A second standard requires that district expenditure levels be independent of individual district wealth. One interpretation of this standard is that the ability to generate funds should be similar across districts even though average expenditures may vary among districts since tax efforts may differ.

The figures in Table 16 indicate the level of disparity among districts in Connecticut, Florida, Missouri and Oregon when nonlocal special education revenues are excluded or included in calculating average revenues per pupil. For each state, mean revenue amounts are shown for local and state general revenues, for these revenues plus state special education revenues, and for all revenues including projected federal special education revenues.

One indicator of the disparity in these revenues among the districts of a state is the standard deviation of the amounts. About two-thirds of all districts in a state will have average revenues within one standard deviation above or below the mean level. Another measure of disparity is the coefficient of variation, a statistic that can be compared across states. The higher the coefficient of variation, the greater the level of disparity.

As can be seen in Table 16, there is a relatively high level of disparity in revenues among districts in the four states, not considering nonlocal special education revenues. Florida has a low level of disparity compared to the other states, while the level in Oregon is relatively high. The addition of state special education funds reduces this disparity level very slightly in all four states. That is, the addition of state special education funds decreases marginally whatever disparities existed prior to their inclusion. Similarly, the projected impact of federal funds also decreases slightly the level of disparity in the states.

In effect, the new revenues distributed to districts under special education programs increase total revenues more rapidly than the standard deviation of such revenues. Thus, both state and federal special education funds are mildly equalizing, perhaps due to the fact that handicapped children are located in low spending districts that benefit under special education funds distribution systems. There is no particular reason to believe that special education programs should bear the burden of equalizing state aid systems, but it is interesting to note that special education funds do not interfere with that goal.

Disparities among school districts in the amount of funds raised per unit of tax effort, tax power, are indicative of varying abilities of districts to generate revenues. When tax power is the same across all districts, then they each have the same ability to raise revenues when they tax themselves at equal rates.

The figures in Table 17 are analogous to those displayed in Table 16, only the unit of analysis has shifted from average revenue levels to average tax power levels. The addition of special education reve-

nues, at either the state or federal level, does little to change whatever disparity pattern existed among districts when local and state general funds are considered.

What cannot be shown in either Table 16 or 17, however, is the influence of local revenues raised specifically for special education programs. Such revenues may be a substantial part of all local revenues. This analysis does not separate special education funding and equity for it from funding for all educational services and overall fiscal equity.

In Table 18 the correlation coefficients between district revenues (both state special education revenues per handicapped pupil and total local and state revenues per pupil) and district wealth (both in the form of property and income) are shown along with correlation coefficients for other relationships. All of these correlations need to be interpreted carefully. No adjustments have been made to account for certain legitimate relationships between variables that could be reflected in correlation coefficients.

Table 16

Mean, Standard Deviation and Coefficient of Variation[a] of District 1975-76 Revenues per Pupil, for Various Sources of Revenue Among School Districts in Connecticut, Florida, Missouri and Oregon

Revenue Sources	Connecticut	Florida	Missouri	Oregon
Local and state general revenue per pupil				
Mean	$1,358	$1,047	$ 960	$1,672
Standard deviation	$ 303	$ 129	$ 201	$ 765
Coefficient of variation	.223	.124	.209	.459
Local, state general and state special education revenue per pupil				
Mean	$1,402	$1,119	$ 991	$1,672
Standard deviation	$ 309	$ 137	$ 198	$ 765
Coefficient of variation	.220	.123	.200	.457
Local, state general, state special education and federal special education revenue per pupil[b]				
Mean	$1,466	$1,135	$1,065	$1,717
Standard deviation	$ 313	$ 138	$ 202	$ 777
Coefficient of variation	.214	.121	.190	.452

[a] The coefficient of variation is defined as the standard deviation divided by the mean for a set of numbers. As this statistic increases, it indicates increased disparity among districts.

[b] Federal revenue per pupil has been simulated using the $572 per special education student figure (40 percent of average expenditures per pupil, the $1,430 standard for distribution of support under P.L. 94-142) and the actual number of served handicapped students in 1975-76.

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

Table 17

Mean, Standard Deviation and Coefficient of Variation[a] of District 1975-76 Tax Power[b] for Various Sources of Revenue, Among School Districts in Connecticut, Florida, Missouri and Oregon

Revenue Sources	Connecticut	Florida	Missouri	Oregon
Tax power for local and state general revenue per pupil				
Mean	$121	$142	$333	$119
Standard deviation	$ 58	$ 14	$ 66	$ 77
Coefficient of variation	.482	.097	.197	.648
Tax power for local, state general and state special education revenue per pupil				
Mean	$121	$149	$319	$117
Standard deviation	$ 58	$ 15	$ 61	$ 76
Coefficient of variation	.482	.098	.191	.651
Tax power for local, state general, state special education and federal special education revenue per pupil				
Mean	$126	$151	$343	$120
Standard deviation	$ 60	$ 16	$ 68	$ 78
Coefficient of variation	.479	.098	.198	.649

[a]The coefficient of variation is defined as the standard deviation divided by the mean for a set of numbers. As this statistic increases, it indicates increased disparity among districts.

[b]Federal revenue per pupil has been simulated using the $572 per special education student figure (40 percent of average expenditure per pupil, the $1,430 standard for distribution of support under P.L. 94-142) and the actual number of served handicapped students in 1975-76.

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

The correlation between state special education support per handicapped pupil and local district tax rate was negative, but low, in three states. That is, there appears to be a slight tendency for tax rates to be lower where state aid is higher, indicating perhaps that state support substitutes for local support. In Florida, however, the relationship was moderate and positive.

In all states the amount of state special education support tends to be higher in districts where the percentage of handicapped pupils is relatively low. In part this may reflect the fact that many resources are needed even where the proportion of handicapped pupils is small. As has been shown previously, state special education support increased slightly as property wealth increased in Connecticut and Florida, while the opposite is true in Missouri and no relationship between state support and wealth existed in Oregon.

Table 18

Correlation Coefficients for Relationships Between Selected 1975-76 Special Education Finance Variables for Connecticut, Florida, Missouri and Oregon

	Connecticut	Florida	Missouri	Oregon
Correlation between state special education support per handicapped pupil and:				
District tax rate	−.13	+.42	−.11	−.04
Percentage of special education pupils served by districts	−.34	−.35	−.06	−.27
District assessed valuation per pupil	+.23	+.37	−.20	+.03
District income [a]	−.02	+.29	−.18	+.29
Correlation between state and local support per pupil and:				
District tax rate	−.19	+.57	+.49	+.01
Percentage of special education pupils served by districts	+.12	+.12	−.05	+.34
District assessed valuation per pupil	+.50	+.72	+.75	+.71
District income [a]	+.49	+.42	+.39	+.08

[a]District income is defined as median family income in Connecticut, Florida and Oregon. It is defined as adjusted gross income per return in Missouri.

Source: Official state department of education data compiled and analyzed by the Education Finance Center, Education Commission of the States.

The correlations between the sum of state and local support per pupil and district tax rate was similar in three states to those found between state special education aid and tax rate. In Missouri, however, the relationship changed dramatically in size, indicating that local tax effort for general purposes was rewarded by increased revenues, while the flow of state special education support tended to flow to districts with lower tax rates. In three states other than Missouri, however, total state and local revenues increased as the proportion of handicapped children increased, even though state special education support was lower in districts with relatively higher concentrations of handicapped pupils.

The correlation between local and state revenues and property wealth per pupil was positive in all states and strong in three states. Correlations between local and state revenue income were also positive, but not very strong.

VI. Questionnaire Results

A questionnaire on the fiscal effects of P.L. 94-142 was sent to state directors of special education in all 50 states. Thirty-nine states responded. Of the 11 states not responding, 1 was in the Southwest, 1 was in the Midwest, 2 were in New England, 1 was in the mid-Atlantic region and 6 were in the West. Not all of the respondents were able to answer every question. The primary reason cited for not answering a particular question was lack of data. Consequently, the results presented for individual questions are based on a reduced sample of the 39 states.

Are State and Federal Financing Mechanisms Compatible?

The extent to which compatibility exists must be determined on the basis of several specific aspects of the financing mechanisms. Also, because each state is unique in its special education system, what is true for one state may not be true for another.

As discussed earlier, there are different methods of funding special education. Categorical funding is the most popular, with over one-half of the states reporting that they distribute special education support under categorical programs. Weighted formulas were used by 12 states. One state used a formula that combined both approaches, and 10 states provided fixed amounts of aid based on classroom or teacher units. The popularity of categorical funding among the states could reduce confusion in adjusting to P.L. 94-142, since these funds also will be distributed in the form of categorical aid. Those states currently using a categorical formula may experience less difficulty adapting to P.L. 94-142 than those using other types of formulas.

The excess expenditures associated with special education are supported by revenues from the state, the local school district and the federal government. Within the 39 states reporting, it was found that the state currently contributes the majority of funds, 64 percent. Local school districts contributed an average of 30.1 percent, while the federal government contributed 5.9 percent. These ratios vary considerably among the states. Some states, such as Pennsylvania, pay 100 percent of approved excess costs of special education.

A number of states such as Tennessee, New Jersey and Iowa, almost evenly split the state and local contribution. In other states such as Oregon, Colorado and New Hampshire, the local district carries the largest portion of support.

In those states that have high local special education efforts, the examination of compatibility of financing mechanisms must focus on the local efforts needed for providing the full services required by P.L. 94-142. This legislation will come as a mixed blessing to districts with high levels of local support for special education. It will provide more money, enabling them to reduce their tax burden, but it will also require that services be provided to more students. The net effect of increased expenditures and revenues will depend on the particular community's level of unmet need and its current level of support. If the marginal cost of adding more students is higher than the level of federal reimbursement, taxes will have to be raised to meet the additional costs. As has been shown earlier, in two of the four states studied, the greater share of new costs is likely to be borne by higher income districts that experience the most unmet need. However, lower property wealth districts will have to make a greater tax effort than higher property wealth districts to meet their unmet need.

An attempt was made to determine if special education students are distributed evenly throughout the states relative to the property wealth, population density or minority population of school districts. The majority of states reported that students were not distributed evenly relative to property wealth. A majority also reported an uneven distribution of special education students in relation to population density and an uneven distribution relative to the proportion of minority population. Most directors of special education believed that districts with certain characteristics have high concentrations of special education students. This conclusion is not supported by the data analyzed in the four-state study, which did not show clear relationships between district characteristics and the incidence of handicapped students.

Directors of special education in 26 states reported that P.L. 94-142 will not work against the current equalization thrust of state general aid. In light of the fact that most states report that special education students are skewed in distribution in relation to district property wealth, it is surprising that it is not felt that the addition of new services and more students will cause an increase in tax effort in those districts, interfering with the thrust of state general aid. It could be that currently unserved handicapped students are concentrated in high property wealth districts. However, this is not supported by the data from the four states studied earlier. In fact, pres-

ently unserved students are concentrated in areas of below-average property wealth. It should also be noted that a number of state directors of special education view their programs as independent of the general aid programs. That is, while equity for the general aid program or the special education program could be assessed separately, it is considered inappropriate to assess the equity of the interaction between the programs.

In summary, compatability will vary from state to state. Those states that currently use categorical aid formulas for special education and provide high levels of state funding have systems that will adapt more easily to P.L. 94-142. States where the burden falls primarily on localities and states where noncategorical formulas are in use will have greater problems. States that currently provide high levels of state program and financial supervision will have less difficulty gearing up for the added administrative burden of compliance with P.L. 94-142.

Other Fiscal Concerns with P.L. 94-142

Even though only one-third of the states felt that P.L. 94-142 would work against the equalizing thrust of state general aid, four out of five states believed that P.L. 94-142 will create other fiscal problems. When asked what changes they would like to see in the current finance formula, one-third of the states suggested immediate federal funding at the 40 percent rate. Another one-third of the states recommend various types of more rapid fiscal phase-in plans. Three states suggested reversing the program phase-in and the fiscal phase-in so that districts received more money at the start of the program and less money when the program is mature. However, these states would like to phase in the programmatic requirements more slowly than called for in the law. Only one state suggested that the formula should not be changed.

When asked which programmatic requirement should have priority if the programmatic requirements could be phased in, state respondents mentioned individualized education programs most frequently. Due process and procedural safeguards were the next most common, followed by provision of service to the most severely handicapped. Among the other programmatic requirements mentioned were staff development, least restrictive environment and screening and evaluation. Clearly, phasing in these requirements would ease the administrative and financial burden on those states currently not meeting them.

The questionnaire also sought state attitudes toward the $7,500 minimum application amount for districts and the administration

allowance provisions. Districts were asked if the procedure to file joint applications for P.L. 94-142 entitlements of less than $7,500 would create problems in their state. Twenty-three states answered that it would not. Several states reported that no districts would be affected by this application limit, and several reported that the majority of their districts would be affected. Fourteen states believed that the $7,500 application limit would foster school district consolidation in their states. Almost all states have plans to assist LEAs in making joint application for P.L. 94-142 funds.

P.L. 94-142 allows states to use five percent of their entitlement or $200,000, whichever is greater, for the added administrative expenditures associated with P.L. 94-142. Less than one-third of the states believed that this amount was adequate. The expected increases in administrative expenditures ranged from none to three times current levels. One-half of the respondents estimated their added administrative cost at less than $100,000 per year.

Compatibility of State and Federal Special Education Classification Systems

Most states have similar classification systems for special education students. There are some classification differences, however. For example, some states define all mentally retarded as one category, while others subdivide mentally retarded students into groups such as educable mentally retarded, trainable mentally retarded and profoundly mentally retarded.

Table 19 indicates the frequency of category use among the states. The headings used in Table 19 to designate the various categories of handicap are the categories most commonly used by the states. The table shows how compatible the various state systems currently are with each other and with the federal system. In some instances the headings shown do not correspond exactly to the federal P.L. 94-142 handicap definitions as enumerated in Subpart a, Section 121a.5; however, the first column shows what the approximate federal definition would be for each category. Some categories appear to be universal, while others appear to be used infrequently.

The definitions listed in P.L. 94-142 may exclude a small number of handicapped persons recognized by some states. However, while the designations used by the states do differ from each other and from P.L. 94-142 definitions, most of the differences are in form rather than substance. Even though the definition of the handicap types vary, the actual problems in making the systems more compatible should not be great. There is an initial degree of similarity between

the existing systems, as well as between the content of the various categories, even when names differ. Rossmiller found a similar result when studying the taxonomies of the various authorities in the field of special education classification (1969, pp. 70-80).

Table 19

P.L. 94-142 Categories	Corresponding State Categories	Percent of States That Recognize This Category of Handicap	Percent of Students in This Category Reported as Unserved
Speech Impaired	Speech Impaired	100	6.2
Deaf, Hard of Hearing, or Deaf-Blind	Hearing Impaired	100	20.1
Visually Handicapped	Visually Handicapped	100	6.3
Specific Learning Disability	Learning Disabled	100	—
Mentally Retarded	Educable Mentally Retarded	97	1.8
Mentally Retarded	Trainable Mentally Retarded	87	.9
Orthopedically Impaired	Physically Handicapped	100	18.7
Seriously Emotionally Disturbed	Emotionally Disturbed	90	29.0
Seriously Emotionally Disturbed	Socially Maladjusted	13	—
Other Health Impaired	Hospitalized	27	—
Other Health Impaired	Homebound	50	7.5
Orthopedically Impaired	Physical Therapy	13	—
Multiply Handicapped	Other Categories	43	6.9
	Occupational Therapy	13	—

Source: Education Commission of the States' survey of state directors of special education.

Once a student is classified as handicapped, it does not automatically follow that the school district will receive federal funds under P.L. 94-142 for that student's education. P.L. 94-142 bases district allocations on a count of handicapped students in the district. The district will receive a flat amount per handicapped student regardless of the type or severity of handicap. The counts of students were to be made twice a year, once in October and once in February; this was recently changed to a single count by Congress. Students can be counted in only one category of handicap.

At this time many states do use student counts as the basis on which to make special education allocations. Student counts serve as the basis for distributing aid in nearly half the states. However, nearly one-third of the states reimburse districts for the actual expenditures of services provided. The remaining states use a variety of reimbursement techniques.

The annual counting procedure specified in P.L. 94-142, as amended, raises the possibility that some students may not be counted as served for the purposes of P.L. 94-142 allocations. Those who receive itinerant or intermittent services may be overlooked. Twenty-two state directors felt that even a biannual counting procedure would result in substantial numbers of served students not being counted. This could represent a considerable financial loss to some states. One large state estimated that the number of served but uncounted students under the P.L. 94-142 provisions would be about 100,000 students. In the states responding, it was estimated that the average undercounted number of students was about five percent of the total special education population. Twenty-four states reported that they provided intermittent services to students who would not be counted under the P.L. 94-142 formula. A majority of the states reported that they would also lose funds under P.L. 94-142 because the federal regulations do not allow a duplicated count of handicapped students and many of the students they serve receive more than one type of special education service.

It is not difficult to see that an annual count provision could cost the participating states substantial amounts of money, if the counting formula remains unchanged. The method of determining the number of handicapped students is an example where P.L. 94-142 and state provisions are clearly not compatible in many instances.

P.L. 94-142 (Subpart C, Section 121a.702) limits the percentage of children who may be counted as handicapped to 12 percent of the state's children, ages 5 through 17. Furthermore, children classified as learning disabled may constitute only two percent of the children, ages 5 through 17. These limits may create some problems for the states. Only one state reported serving more than 12 percent of its children. The average statewide percentage served was reported to be 8.67 percent. The total percentage of students that can be counted as eligible under P.L. 94-142 does not appear to be a problem; but, as was seen earlier, when the numbers of unserved students are added to those now served, the percentage of students served will increase dramatically in some states. Consequently, the number of states serving more than 12 percent of their children may increase considerably.

The limit on the number of students that may be counted as learning disabled under P.L. 94-142 appears likely to have a greater impact on states. Twenty states reported that they currently designated more than two percent of their special education students as learning disabled. The additional students, like those not counted or receiving more than one type of service, would continue to receive services, but without federal support.

There are some serious incompatibilities currently existing between state special education classification procedures and P.L. 94-142. The legislation requires that all handicapped students be served, but it does not permit the states to receive reimbursement for many of the special education students they would serve.

Impact of P.L. 94-142 on the Delivery of Special Education Services

It is difficult to ascertain whether P.L. 94-142 will substantially change state systems of providing special education. Table 20 shows the major provisions of P.L. 94-142 and what percent of the states currently comply with each of those provisions. Table 20 indicates that in almost every area shown, the states are already in substantial compliance with the programmatic requirements of P.L. 94-142.

Table 20

P.L. 94-142 Requirement	Current State Requirement Percent Yes
1. Free appropriate education is available to all children, ages 3 through 21, by 1980.	38
2. Handicapped students are to attend school in the least restrictive environment.	95
3. Most severely handicapped are to be served first.	81
4. Supplanting local funds with P.L. 94-142 funds is prohibited.	83
5. Each child must have an individualized education plan.	95
6. Procedual safeguards include:	
a. Examination of all records by parents.	97
b. SEA or LEA is to protect child's right..	97
c. Written notice to parents in event of placement change.	92
d. Parents have right to hearing and appeal on placement changes.	100
7. SEA supervises all special education programs.	81
8. State special education and local procedures for implementing state plans are in effect.	98
9. State advisory panel on special education is in place.	97
10. Impact of P.L. 94-142 to be evaluated.	52
11. SEA may withold LEA funds if application requirements are not met.	89

However, P.L. 94-142 makes the SEA responsible for the supervision of all special education programs. Once the SEA is supervising all special education, it is likely that the role of many other state agencies that now provide special education services will be reduced. The consolidation of supervision in the SEA may reduce fragmentation of services simply because the numerous other agencies involved in state special education programs will be coordinated

and the planning, financing and supervision of services will be centralized. It is likely that the participation of the state education agency in the application process will foster cooperation between the state and local levels.

Overall it seems that P.L. 94-142 might cause an increase in coordination of special education services. The SEA will have a much greater role in the management of all special education programs. P.L. 94-142 will mean greater program standardization within the states.

VII. Conclusions

During the past decade, increased attention has been given to addressing the education needs of handicapped children. In part, this attention results from litigation, but it also reflects the interest and concern that states have had for some time. The federal government has now undertaken a major program designed to further expand the services provided by schools to handicapped individuals. As part of this program, the federal government has issued regulations designed to better define and count handicapped children, to better evaluate their needs and to increase the funds available to support special education services.

This study has shown that currently the states vary widely in the proportion of all children that are provided special education. Within states, there appears to be little relationship between the property wealth or income level of school districts and the proportion of students receiving special education services. However, within states the proportion of all students receiving special education is highest in cities and lowest in suburban school districts. Larger districts also tend to serve greater proportions of their students in special education classes. Given the estimates that have been made of how many students could be expected to be receiving special education, it is clear that substantial numbers of students in need of such services are not receiving them. The result of the implementation of P.L. 94-142 should be to increase the number of handicapped pupils being served and to diminish interstate variations in the proportion of all students receiving special education. It is interesting that a large proportion of handicapped students that will be served under P.L. 94-142 will come from districts with below average property wealth. Given the sharing of the expenditures for such students, it is clear that low wealth districts will need to provide additional support and that, in order to reduce the burden on those that can least afford to pay, state support will need to be provided.

Currently, the distribution of state support for special education is not related to either the property wealth or income level of school districts. However, the distribution of state support is related to district size and the urban or rural classification of districts. This reflects, in part, the places where most handicapped students are cur-

rently being identified and served. It is interesting that current systems of distributing state aid for special education do not change the level of equity being achieved by state general support systems. That is, the distribution of state aid for special education neither increases nor decreases levels of equity, regardless of how equitable current general support systems are. By the same token, it is not expected that the mechanisms for distributing federal aid under P.L. 94-142 will affect the level of equity being achieved by state school finance systems. In part, this is because of the level of federal support and the relatively small proportion of students receiving such support. Also, it may reflect the fact that states currently are not achieving high levels of equity and the distribution of federal funds in the form of flat grants, without considering local wealth, reflects current equity levels.

While it is difficult to determine how states will respond to new levels of federal funding for special education, most states expect that the regulations accompanying P.L. 94-142 will cause fiscal problems for them, in part because of matching requirements. Many state special education systems are compatible with the mandates of P.L. 94-142, many state systems are not. To the extent that current state special education finance systems are compatible with P.L. 94-142, fewer fiscal problems are likely to exist. Currently, most states use similar procedures for classifying and counting handicapped students. Given certain inconsistencies between state counting procedures and those used under P.L. 94-142, many states will lose federal funding due to substantial levels of undercounting. For example, P.L. 94-142 limits reimbursement for learning disabled students to two percent of the children, ages 5 through 17. However, most states report serving a greater proportion of students in programs for the learning disabled. One of the benefits of P.L. 94-142 is likely to be increased coordination among agencies providing special education services at the state and local level.

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Education Commission of the States

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